

**BEFORE THE CALIFORNIA ENERGY COMMISSION**  
**OF THE STATE OF CALIFORNIA**

In the Matter of:	)	Docket 05-SDO-1
	)	
The Summer 2005 Electricity	)	
Supply and Demand Outlook	)	
_____	)	

Pursuant to the March 11, 2005 Notice of Committee Workshop on the Summer 2005 Electricity Supply and Demand Outlook and the Draft Summer 2005 Electricity Supply and Demand Outlook Report that was prepared by the California Energy Commission (CEC) and presented to the Senate Energy Committee on February 22, 2005, San Diego Gas & Electric Company (SDG&E) hereby submits the following brief Comments. SDG&E commends the CEC for preparing the comprehensive Draft Summer Outlook Report. Given the current complexities in the structure of the State's electricity market, the CEC is uniquely positioned to conduct these assessments on a statewide basis. SDG&E appreciates the effort and content reflected in this Draft Report.

As an initial matter, SDG&E offers two general comments. First, SDG&E believes that it is crucial that the CEC and the California Public Utilities Commission (CPUC) agree on consistent standards that should be applied at both Commissions such that the same capacity counting conventions are used by both agencies. Currently, the CPUC is in the middle of developing and implementing a resource adequacy requirement for all Load Serving Entities (LSE). As part of this process, the CPUC is establishing how each resource type should be counted and the total resources that each LSE must procure to be resource adequate. Tables 1-4 (pp. 4-7) as proposed in the CEC's Draft

Outlook do not match the CPUC's resource adequacy protocols either in terms of how resources are counted or how many resources are needed to provide reliability services to the State at the lowest possible cost. If different standards and counting conventions are employed between the two agencies, then the State could end up with the CPUC certifying all suppliers as resource adequate while at the same time the CEC would be warning of resource shortages. Thus, coordination and accord here are essential.

Second, SDG&E believes that should similar tables be produced by the CEC in the future, the impact from demand response programs should be listed as a separate line item on each resource table. The State has unequivocally placed demand response in the top tier of the Energy Action Plan "loading order" of preferred resources, and demand response will clearly play a prominent role in the State's energy future. To thus place demand response in a separate table on the last page of the Draft Report appears to contradict the value the State has assigned to this resource type.

Additionally, SDG&E offers brief comments regarding specific line items in the Draft Report Tables:

- Existing generation: SDG&E's understands that when assessing availability of wind resources, at least those in the Southern California Edison and SDG&E service territories, the CEC discounted these resources to approximately 40 MW. This amount is a substantial reduction from installed capacity, and substantially less than what the CPUC has stated for LSEs to count for wind for resource adequacy. Based on the CPUC standard, SDG&E estimates that resource would increase by up to 200 MW in the Draft Report. This result underscores that the State's energy agencies need to decide whether wind resources have capacity value, and if so, consistently determine how much. Once that decision is made, the agencies should treat wind resources in a consistent fashion.
- Resource Additions: The RAMCO unit being added by SDG&E for this summer will have a summer capacity of 45 MW, not 40 MW as expressed in the Draft Report.

- Forced Outages: SDG&E found the CEC's decision to base forced outages on "average plus" rather than "average" conditions to be an overly conservative position. SDG&E recommends in the future that staff develop tables based on a 15-17% planning reserve margin rather than make discretionary decisions about forced outages.
- 1-in-10 Summer Temperature Demand: SDG&E believes the CEC estimate of 1-in-10 summer peak demand relative to the 1-in-2 summer demand is overstated. The 13% temperature adjustment derived for the 1-in-10 forecast for SDG&E is significantly above and clearly out of line with the CEC's results for other utilities and areas of the state. The adjustment factor is also approximately 60% higher than SDG&E's own estimate. The CEC's overstated result can be attributed to three aspects of its methodology: (1) The CEC relies solely on Lindbergh Field data to represent the entire SDG&E service area. Situated next to San Diego Bay, Lindbergh Field is heavily influenced by marine climate elements and is not representative of the inland areas. SDG&E currently uses a weighted average of three weather stations, with Lindbergh Field carrying about a 30% weight; (2) The CEC does not include humidity in its weather response adjustment, which as last summer demonstrates is an important factor in weather response. SDG&E estimates that humidity accounted for over 5% of additional peak load in 2004 beyond what temperature alone represented; (3) The CEC overstates the probability of extreme weather conditions during the peak load by including weekends in its historical distribution of weather. Because extreme temperatures are equally likely to happen on any day of the week, there is a better than 30% chance (2 out of 7, plus holidays) that an extreme weather event will occur on a weekend or holiday when it would not result in a peak demand. SDG&E recommends that the CEC revise its weather response adjustment to take these considerations into account.

Finally, SDG&E recommends that if the CEC produces another similar report in the future, a public workshop such as the one convened on March 21, 2005, be held to ensure that the Draft Report can reflect relevant input early in the process, particularly as the findings are being debated among the State's policymakers.

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In closing, SDG&E appreciates the opportunity to comment on these critically important matters currently pending before the CEC.

DATED this 25th day of March, 2005, at Los Angeles, California.

Respectfully submitted,

By: \_\_\_\_\_

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